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The Commonwealth of Massachusetts

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INDEPENDENT STATE AUDITOR'S
REPORT ON CERTAIN ACTIVITIES
OF THE
HATFIELD HOUSING AUTHORITY
OCTOBER 1, 1998 TO SEPTEMBER 30, 1999

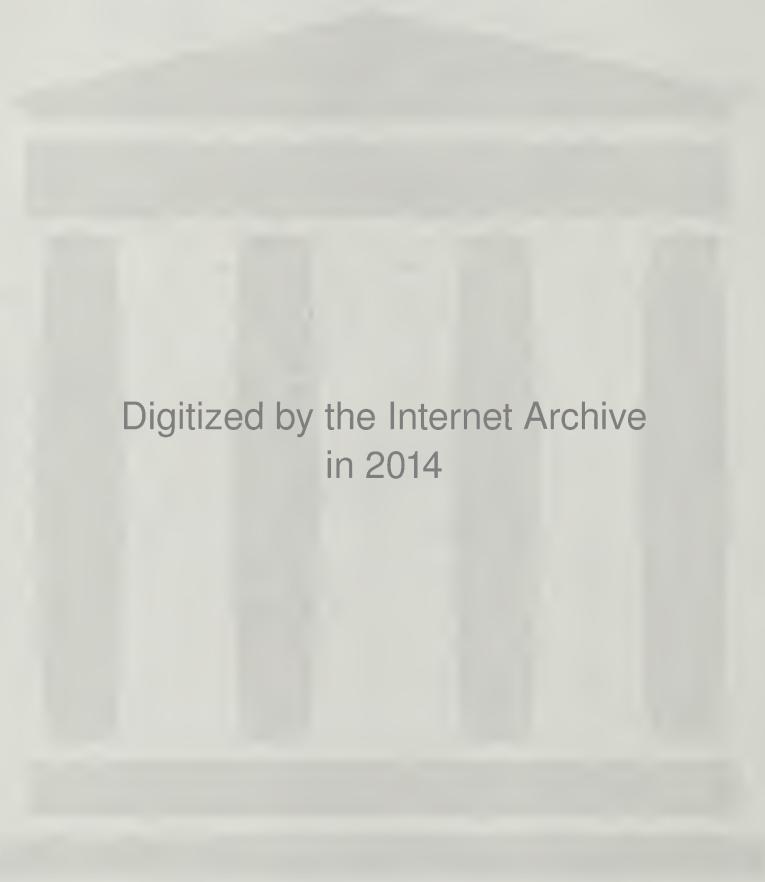
OFFICIAL AUDIT REPORT

MAY 10 2000

ISSUED BY THE
Department of the State Auditor

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a. <u>1997 BOAST Report:</u> Our prior audit report noted that the Department of Housing and Community Development's (DHCD) 1997 Budget, Occupancy, Administration, Standards of Health and Safety, and Tenant Services (BOAST) Report found the Authority deficient in the following areas: eligibility, tenant selection, policies, management plan, and control systems. Our follow-up review indicated that, with the exception of its management plan, the Authority had taken corrective actions necessary to address these deficiencies.	3
b. <u>Payroll Practices and Expenditures:</u> Our prior review of the Authority's payroll practices and expenditures revealed deficiencies in the payroll system pertaining to (1) the absence of an approved Executive Director contract, (2) payroll records, and (3) the Executive Director's time requirement. Our current audit indicated that the Board has approved the Executive Director's contract, the Authority is keeping adequate control over time records, and the Executive Director has been working the required number of hours.	3
c. <u>Rent Redetermination Calculations:</u> Our prior report noted rent calculation errors in 33% of the tenant files tested. These errors resulted from the Executive Director inadvertently omitting certain income and deductions in calculating the rent redeterminations. Our follow-up review showed that all rents were properly determined and that all income and deduction backup has been taken into consideration in computing the rents.	4
d. <u>Compliance with Housing Authority Bylaws:</u> Our prior review of the Authority's minutes of board meetings revealed noncompliance with the Authority's bylaws and Massachusetts General Laws (MGL) Chapter 121B. Our follow-up review disclosed that the Authority has taken appropriate corrective action and is now in compliance with the Authority's bylaws and the MGLs.	4
e. <u>Administrative and Recordkeeping Procedures:</u> Our prior review disclosed deficiencies in the Authority's administrative and recordkeeping procedures as follows: (1) the Authority had not executed a written contract with its fee accountant, (2) the Authority's general ledger accounts did not agree with the quarterly operating statements, and (3) the Authority's financial records were being maintained at the home of the fee accountant. Our follow-up review	4



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revealed that the Authority has resolved these administrative control issues. The Authority now has a properly executed contract with its fee accountant; the general ledger accounts are in agreement with the operating statements; and the original books of financial records are now being maintained at the Authority.	
f. <u>Management Plan Has Not Been Updated:</u> Our prior review revealed that the Authority's management plan had not been updated since 1984. Specifically, the management plan needed to be reorganized and updated to contain appropriate policies and procedures for the efficient operation of the Authority. The Authority was given the approval by DHCD in March of 1998 to hire a temporary assistant to re-write and update its management plan. Our follow-up review disclosed that although the Authority hired the assistant in March 1998, the management plan has not yet been finalized.	5

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Hatfield Housing Authority for the period October 1, 1998 to September 30, 1999. The objectives of our audit were to assess the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs, and to assess compliance with laws, rules, and regulations applicable to each program.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included such audit tests and procedures as we considered necessary.

To achieve our audit objectives, we reviewed the following:

- Tenant-selection procedures to verify that tenants were selected in accordance with Department of Housing and Community Development (DHCD) regulations.
- Vacancy records to determine whether the Authority adhered to DHCD's procedures for preparing and filling vacant housing units.
- Annual rent-determination procedures to verify that rents were calculated properly and in accordance with DHCD regulations.
- Accounts receivable procedures to ensure that rent collections were timely and that uncollectible tenants' accounts receivable balances were written off properly.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations.
- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD requirements.
- Contract procurement procedures and records to verify compliance with public bidding laws and DHCD requirements for awarding contracts.
- Cash-management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- DHCD-approved operating budgets for the fiscal year in comparison with actual expenditures to determine whether line-item and total amounts by housing program were within budgetary limits and whether required fiscal reports were submitted to DHCD in a complete, accurate, and timely manner.

- Operating reserve accounts to verify that the Authority's reserves fell within DHCD's provisions for maximum and minimum allowable amounts and to verify the level of need for operating subsidies to determine whether the amount earned was consistent with the amount received from DHCD.
- The Authority's progress in addressing the issued noted in our prior audit report (No. 98-0672-3).

Based on our review we concluded that, except for the issue addressed in the Audit Results section of this report, during the 12-month period ended September 30, 1999, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

Status of Prior Audit Results

As part of our audit of the Hatfield Housing Authority, we reviewed the progress it made in addressing the issues noted in our prior audit report (No. 98-0672-3). Based on our review, we determined that the Authority successfully implemented corrective action on five of the six issues contained in our prior report, as discussed below.

a. 1997 BOAST Report: Our prior audit report noted that the Department of Housing and Community Development's (DHCD) 1997 Budget, Occupancy, Administration, Standards of Health and Safety, and Tenant Services (BOAST) Report found the Authority deficient in the following areas: eligibility, tenant selection, policies, management plan, and control systems. Moreover, the BOAST report pinpointed the deficient areas as follows: (1) applications not date and time stamped upon receipt, (2) tenants not given a receipt upon payment of rent, (3) CORI checks not performed, (4) failure to meet Affirmative Action goals, (5) prescribed DHCD unit offer letter not used, (6) absence of required documentation in tenants' files, (7) not all required policies approved by DHCD, (8) management plan not updated, (9) inadequate inventory records, (10) inadequate monitoring of preventive maintenance, and (11) lack of pre-numbered work orders.

Our follow-up review indicated that, with the exception of its management plan (see item f), the Authority has implemented the corrective actions necessary to address the previously deficient conditions.

b. Payroll Practices and Expenditures: Our prior review of the Authority's payroll practices and expenditures revealed deficiencies in the payroll system pertaining to (1) the absence of an approved Executive Director contract, (2) payroll records, and (3) the Executive Director's time requirement.

Specifically, the weaknesses and deficiencies in the payroll system were (a) the Executive Director's contract was not approved by DHCD, (b) payroll records for the maintenance man and Executive Director were not approved by a board member, (c) the Executive Director did not review the attendance calendar of the maintenance man, (d) the Executive Director did not maintain his own attendance calendar, and (e) the Executive Director's contract did not specify the number of hours to be worked each week.

Our current audit indicated that the Authority is keeping adequate control over time records and the Executive Director has been working the required total of 14 hours on Mondays and Wednesdays. Further, the Executive Director also has a signed contract that was approved by the Board on March 18, 1998.

c. Rent Redetermination Calculations: Our prior report noted calculation errors in 13 (33%) of the 44 tenant files we tested for rent re-determinations computed by the Executive Director. Specifically, he inadvertently omitted certain income and deductions in calculating the rents. The 760 Code of Massachusetts Regulations 7.00 requires that annual rent re-determinations be performed for each tenant and defines the items of income and expense to be used. By not rechecking to make sure all legal items were included in the rent calculations, the Authority was deprived of an additional \$1,125 in rental income.

Our follow-up tests showed that all rents were properly determined and that all income and deduction backup was considered in computing the rents.

d. Compliance with Housing Authority Bylaws: Our prior review of the Authority's minutes of board meetings revealed noncompliance with MGL Chapter 121B and the Authority's bylaws, as follows: (1) the Executive Director chaired a board meeting, (2) the board lacked a Vice-Chairman, Treasurer, Assistant Treasurer, and Secretary, (3) no Annual Meeting was held to elect officers, and (4) no Annual Reports were prepared by the Executive Director.

Our follow-up review disclosed that the Authority had taken corrective action and was now in compliance with the Authority's bylaws and MGL Chapter 121B. However, due to the vacancy of a state appointee since February 1998 and another board member who has attended only two of the last 12 meetings, the Board has not been able to make a quorum in two of the last three meetings.

e. Administrative and Recordkeeping Procedures: Our prior review disclosed deficiencies in the Authority's administrative and recordkeeping procedures. Specifically, we found that (1) the Authority had not executed a written contract with its fee accountant, (2) the Authority's general ledger accounts did

not agree with the quarterly operating statements, and (3) the Authority's original books of entry were being maintained at the home of the fee accountant.

Our follow-up review revealed that the Authority has resolved these administrative control issues. Specifically, we found that the Authority now has a properly executed contract with its new fee accountant; the general ledger accounts are in agreement with the operating statements; and the original books of financial records are now being maintained at the Authority.

f. Management Plan Has Not Been Updated: Our prior audit disclosed that, contrary to DHCD requirements, the Authority had not completed an update of its management plan for controlling administrative and operational functions. Specifically, we found that the Authority's management plan lacked certain components and had not been updated since 1984 to reflect changes in the Authority's policies and procedures.

DHCD's Management Handbook states that local housing authorities are required by the terms of their Contract for Financial Assistance to have a management plan for each program. Certain areas of this plan may be general, but certain components such as bylaws, a list of board members, personnel regulations, financial regulations, inventory, purchasing, contracting, and various management regulations should be included in the management plan. The plan is also required to be updated periodically as the Authority's scope of operations changes. Without a management plan, the Authority lacks the basic framework for controlling its administrative operations since a management plan would establish written guidelines for personnel, budget, finance, and tenant-relations policies.

The Authority's Executive Director indicated he was given approval by DHCD in March, 1998 to hire a temporary part-time assistant in order to re-write and update its management plan. After 2 years and the payment of approximately \$2,600 to the assistant, the management plan has not yet been finalized. The Executive Director stated that he has twice submitted the plan to DHCD and that it has been returned for minor changes.

Recommendation: The Authority should continue its efforts to complete its management plan by incorporating all necessary components and reflecting recent operational changes, and then resubmit the plan to DHCD for final approval.

Auditee's Response:

Thank you for pointing out prior deficiencies at the Housing Authority. We have made efforts to correct any problems. We are currently working on the Management Plan and hope to have it completed and approved by DHCD in 2-3 months. This has been a huge undertaking by a small Authority and we have been working diligently to comply, with a limited staff of only an Executive Director.

